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SUBJECT: Muthanna's Provincial Investment Commission: Successes and Challenges

REF: (A) 08 Baghdad 3682

11. (U) This is a PRT Muthanna Reporting Cable.

12. (SBU) SUMMARY: Muthanna's Provincial Investment Commission (PIC) is one of the most active in Iraq, with 17 projects licensed to date and four of those are in various stages of completion. Challenges remain, however, especially in acquiring rights to land from the Ministries of Finance and Municipalities/Public Works for these projects. Both PIC board members and businessmen alike believe that land is the number one impediment hindering many of these investments. END SUMMARY.

MUTHANNA'S PIC: A MODEL FOR IRAQ

13. (U) Muthanna's Provincial Investment Commission (PIC) is one of the most active in Iraq. As of early May, the PIC had issued 17 licenses for projects across a variety of industries, including tourism, entertainment, agriculture, retail trade, housing, and heavy industry. In total, these investments could bring in some 360 million dollars to Muthanna. In addition, the PIC is evaluating another 25 proposals valued at approximately two billion dollars. Companies from Turkey, China, Germany, Australia, Kuwait, and elsewhere are currently proposing investments in Muthanna. In addition, some local Iraqis have returned home from living abroad to start businesses in Muthanna.

STATOIL AND CHUCK-E-CHEESE IN MUTHANNA?

14. (U) While licensing is a necessary step in the investment process, construction starts are an even more important step. To that end, on May 7, the PRT conducted a site visit to a new auto care center outside Samawah. The owner/manager envisions a substantial project, to include a petrol filling station (already completed), an auto service station, a car dealership, and a family restaurant. The owner's inspiration came from the many STATOIL stations he saw when he lived in Sweden for some 15 years. The fuel station phase of the project was fully operational when the PRT visited, and the installed pumps were imported from Sweden.

¶5. (U) The PRT also visited the site of a future children's entertainment center in central Samawah. The project will be under construction for the next year, but the foundation had already been laid at the time of the PRT's visit. The investor, a local businessman, was interested in this project after seeing a similar facility in the UAE and a "Chuck-E-Cheese" restaurant in Michigan.

¶6. (SBU) Finally, the PRT visited the Samawah offices of the Sawa Beach Company. The company is negotiating joint ventures to renovate and operate two cement plants, one in Muthanna and the other in Najaf. The Muthanna project would rehabilitate the newer of the two cement plants in the province so that it can once again produce to its design capacity. This would allow more of southern Iraq's cement needs to be produced in Iraq; currently, only one-tenth of Iraq's cement needs are produced within its borders.

LAND TITLES AS THE MAIN ROADBLOCK

¶7. (SBU) Uniformly, the businessmen and PIC representatives viewed land issues as being the major roadblock preventing licensed projects from getting started. The projects already underway have been successful only because the businessmen have owned the land themselves. In particular, the PIC board members complain that the Ministry of Finance and the Ministry of Municipalities and Public Works own most of the land that could be used for investment. Although these local officials continue to work with interlocutors in Baghdad for a solution, they are not sanguine about a solution anytime soon.

¶8. (SBU) Privately, PIC representatives lament that investment is a new concept in Iraq and many of the ministerial representatives in Baghdad are not accustomed to organizations outside of government investing in large scale programs. Under the previous regime, Iraq's economy was heavily centralized with nearly 200 state owned enterprises. Therefore, Baghdad controlled nearly all economic activity, with the exception of small scale production. Ministers and other government officials may be working with that mind set. In addition, there may be obstacles of graft and official corruption impeding progress on these land issues.

¶9. (SBU) COMMENT: Muthanna's PIC continues to be ahead of many of its provincial peers in terms of attracting investment interest and issuing licenses for projects. With the exception of a few projects where the investor personally owns the land, most of these will require a land lease or purchase before any further progress can take place (reftel). Only pressure from multiple stakeholders -- provincial, business (both national and international), and diplomatic at the national level -- can break this logjam. END COMMENT.

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